



*ATHENS
METROPOLITAN HOUSING AUTHORITY*

ATHENS, OHIO

SINGLE AUDIT

For the Year Ended December 31, 2005

J.L. UHRIG
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS





**Auditor of State
Betty Montgomery**

Board of Directors
Athens Metropolitan Housing Authority
10 Hope Drive
Athens, Ohio 45701

We have reviewed the *Independent Auditor's Report* of the Athens Metropolitan Housing Authority, Athens County, prepared by J.L. Uhrig and Associates, Inc., for the audit period January 1, 2005 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Athens Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

September 28, 2006

This Page is Intentionally Left Blank.

ATHENS METROPOLITAN HOUSING AUTHORITY

Table of Contents

For the Year Ended December 31, 2005

Independent Auditor's Report	1
Management's Discussion and Analysis	3
BASIC FINANCIAL STATEMENTS:	
Statement of Net Assets	11
Statement of Revenues, Expenses and Change in Net Assets	13
Statement of Cash Flows	14
Notes to the Basic Financial Statements	16
SUPPLEMENTAL INFORMATION AND SCHEDULES:	
Combining Financial Data Schedules	29
Schedule of Federal Awards Expenditures	34
AUDIT REPORTS:	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by Government Auditing Standards	35
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	37
Schedule of Findings and Questioned Costs	39
Corrective Action Plan	41
Schedule of Prior Audit Findings	42

Independent Auditor's Report

Board of Directors
Athens Metropolitan Housing Authority
10 Hope Drive
Athens, Ohio 45701

We have audited the accompanying basic financial statements of the Athens Metropolitan Housing Authority (the Authority) as of and for the year ended December 31, 2005. These basic financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the basic financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2005, and the results of its operations and changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 11, the Authority has implemented new disclosures for cash and investments, as required by the provisions of GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, as of December 31, 2005. The Authority also implemented GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and/or Insurance Recoveries*, as of December 31, 2005.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 18, 2006 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report when considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Board of Directors
Athens Metropolitan Housing Authority
Independent Auditor's Report

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Authority, taken as a whole. The accompanying supplemental information and schedules listed in the table of contents, which include the schedule of federal awards expenditures required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Authority. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.

August 18, 2006

ATHENS METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2005

Unaudited

The Athens Metropolitan Housing Authority's ("the Authority") Management's Discussion and Analysis (MD&A) is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority's financial activity, (c) identify changes in the Authority's position, and (d) identify individual fund issues or concerns.

Since the MD&A is designed to focus on the 2005 year's activities, resulting changes and currently known facts, please read it in conjunction with the Authority's financial statement.

FINANCIAL HIGHLIGHTS

- The Authority's net assets increased by \$24,546 or .45% during 2005, resulting from changes in operations. Since the Authority engages only in business-type activities, the increase is all in the category of business-type net assets.
- Revenues increased by \$95,779 or 1.88% during 2005.
- The total expenses of all Authority programs increased by \$149,831 or 3.05%.

Authority Financial statements

The Authority financial statements are designed to be corporate-like in that all business type activities are consolidated into columns, which add to a total for the entire Authority.

These Statements include a Statement of Net Assets, which is similar to a Balance Sheet. The Statement of Net Assets reports all financial and capital resources for the Authority. The Statement is presented in the format where assets, minus liabilities, equal "Net Assets", formerly known as equity. Assets and liabilities are presented in order of liquidity, and are classified as "Current" (convertible into cash within one year), and "Non-current".

The focus of the Statement of Net Assets (the "Unrestricted Net Assets") is designed to represent the net available liquid (non-capital) assets, net of liabilities, for the entire Authority. Net Assets (formerly equity) are reported in three broad categories:

ATHENS METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2005

Unaudited

Net Assets, Invested in Capital Assets, net of Related Debt: This component of Net Assets consists of all Capital Assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets: This component of Net Assets consists of restricted assets, when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

Unrestricted Net Assets: Consists of Net Assets that do not meet the definition of "Net Assets Invested in Capital Assets, Net of Related Debt", or "Restricted Net Assets".

The Authority financial statements also include a Statement of Revenues, Expenses and Changes in Fund Net Assets (similar to an Income Statement). This Statement includes Operating Revenue, such as rental income, Operating Expenses, such as administrative, utilities, and maintenance, and depreciation, and Non-Operating Revenue and Expenses, such as capital grant revenue, investment income and interest expense.

The focus of the Statement of Revenues, Expenses and Changes in Fund Net Assets is the "Change in Net Assets", which is similar to Net Income or Loss.

Fund Financial statements

The Authority consists of exclusively Enterprise Funds. Enterprise Funds utilize the full accrual basis of accounting. The Enterprise method of accounting is similar to accounting utilized by the private sector accounting.

Many of the programs maintained by the Authority are done so as required by the Department of Housing and Urban Development. Others are segregated to enhance accountability and control.

ATHENS METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2005

Unaudited

The Authority's Programs

Conventional Public Housing – Under the Conventional Public Housing Program, the Authority rents units that it owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides Operating Subsidy and Capital Grant funding to enable the Authority to provide the housing at a rent that is based upon 30% of household income. The Conventional Public Housing Program also includes the Capital Fund Program, which is the primary funding source for physical and management improvements to the Authority's properties.

Housing Choice Voucher Program – Under the Housing Choice Voucher Program, the Authority administers contracts with independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment made to the landlord. The program is administered under an Annual Contribution Contract with HUD. HUD provides Annual Contributions Funding to enable the Authority to structure a lease that sets the participants' rent at 30% of household income. The Authority earns administrative fees to cover the cost of administering the program.

Section 8 New Construction - The Authority administers Section 8 rental assistance programs where the Department of Housing and Urban Development (HUD) enters into annual contributions contracts with a private owner. The owner rent housing to eligible low-income families who typically pay rent of 30 percent of adjusted gross income. The remaining portion of the rent for the unit is paid to the owner by HUD through the HAP contract. The Authority acts as the middleman between HUD and the Private Owner and ascertains that the owner is operating the program in compliance with HUD requirements. The Authority earns an administration fee for these services rendered.

Shelter Plus Care - AMHA has an ongoing collaboration effort with the Athens County Continuum of Care working group which in 1999 the PHA was successful in receiving grant funding for the Athens County Dual Diagnosis Housing Initiative Shelter Plus Care project which is now completed and up and running. The grant provided 10 years of subsidized rent for 5 units of housing for dually diagnosed persons with mental illness and substance abuse.

State / Local – State / Local represents Authority owned housing properties that are not subsidized by HUD. The revenue and expenses for these services are identified and tracked separate from the HUD activities.

ATHENS METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2005

Unaudited

AUTHORITY STATEMENTS

The following table reflects the condensed Statement of Net Assets compared to prior year. The Authority is engaged only in Business-Type Activities.

TABLE 1

STATEMENT OF NET ASSETS

	<u>2005</u>	<u>2004</u>
Current and Other Assets	\$ 1,194,259	\$ 1,510,604
Capital Assets	4,852,191	4,626,186
Total Assets	<u>\$ 6,046,450</u>	<u>\$ 6,136,790</u>
Current Liabilities	\$ 260,023	\$ 384,022
Long-Term Liabilities	314,427	305,314
Total Liabilities	<u>574,450</u>	<u>689,336</u>
Net Assets:		
Investment in Capital Assets, net of Related Debt	4,550,459	4,316,677
Unrestricted Net Assets	921,541	1,130,777
Total Net Assets	<u>5,472,000</u>	<u>5,447,454</u>
Total Liabilities and Net Assets	<u>\$ 6,046,450</u>	<u>\$ 6,136,790</u>

For more detail information see Statement of Net Assets presented elsewhere in this report.

Major Factors Affecting the Statement of Net Assets

During 2005, current and other assets decreased by \$316,345, and current liabilities decreased by \$123,999. The change in current assets was mainly due to the change in cash balance. Cash was used during the audit period to fund for the capital improvement projects that were reported as construction in progress. The change in current liabilities is mainly due to the change in payable to HUD.

ATHENS METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2005

Unaudited

Capital assets also changed, increasing from \$4,626,186 to \$4,852,191. The \$226,005 increase may be contributed primarily to a combination of total acquisitions of \$458,869, less current year depreciation and amortization. The current year acquisitions included a building renovated in progress (not completed as of December 31, 2005) and the purchase of a vehicle. For more detail see "Capital Assets" presented later in this report.

The following table presents details on the change in Unrestricted Net Assets.

TABLE 2

CHANGE OF UNRESTRICTED NET ASSETS

Beginning Balance - December 31, 2004	\$	1,130,777
Results of Operation		(54,701)
Adjustments:		
Current year Depreciation Expense (1)		232,864
Capital Expenditure (2)		(458,869)
Prior Period Adjustment		79,247
Loan Proceeds		200,000
Retirement of Debt		<u>(207,777)</u>
Ending Balance - December 31, 2005	\$	<u>921,541</u>

(1) Depreciation is treated as an expense and reduces the results of operations but does not have an impact on Unrestricted Net Assets.

(2) Capital expenditures represent an outflow of unrestricted net assets, but are not treated as an expense against Results of Operations, and therefore must be deducted.

While the results of operations are a significant measure of the Authority's activities, the analysis of the changes in Unrestricted Net Assets provides a clearer presentation of financial position.

The following schedule compares the revenues and expenses for the current and previous fiscal year. The Authority is engaged only in Business-Type Activities.

ATHENS METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2005

Unaudited

TABLE 3

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	<u>2005</u>	<u>2004</u>
<u>Revenues</u>		
Total Tenant Revenues	\$ 165,566	\$ 114,739
Operating Subsidies	4,543,226	4,667,502
Capital Grants	48,295	72,338
Investment Income	31,355	12,950
Other Revenues	223,095	239,787
	<u>5,011,537</u>	<u>5,107,316</u>
<u>Expenses</u>		
Administrative	640,754	478,044
Utilities	115,831	97,453
Maintenance	189,208	177,375
General and Interest Expenses	32,201	41,009
Housing Assistance Payments	3,855,380	3,920,303
Depreciation	232,864	202,223
	<u>5,066,238</u>	<u>4,916,407</u>
Net Increases (Decreases)	\$ <u>(54,701)</u>	\$ <u>190,909</u>

**MAJOR FACTORS AFFECTING THE STATEMENT OF REVENUE,
EXPENSES AND CHANGES IN NET ASSETS**

Total revenue increased by \$95,779. This increase was mainly due to the change in tenant revenue. This mainly represented revenue received for the management of the Authority non-HUD subsidized programs.

The expenses increased by \$149,831 during the year. The increase in expenses is attributed to the additional activities incurred for the State/Local Programs (non-HUD funded programs). The increase in expenses represented additional operating administrative expenses incurred.

ATHENS METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2005

Unaudited

CAPITAL ASSETS

Capital Assets

As of year-end, the Authority had \$4,852,191 invested in a variety of capital assets as reflected in the following schedule, which represents a net increase of \$226,005 or 4.89% from the end of last year.

TABLE 4

CAPITAL ASSETS AT YEAR-END (NET OF DEPRECIATION)

	<u>2005</u>	<u>2004</u>
Land and Land Rights	\$ 791,033	\$ 791,033
Buildings	5,301,353	5,301,353
Equipment	317,984	319,047
Construction in Progress	440,099	-
Accumulated Depreciation	<u>(1,998,278)</u>	<u>(1,785,247)</u>
Total	<u>\$ 4,852,191</u>	<u>\$ 4,626,186</u>

The following reconciliation identifies the change in Capital Assets.

TABLE 5

CHANGE IN CAPITAL ASSETS

Beginning Balance - December 31, 2004	\$	4,626,186
Current year Additions		458,869
Current year Depreciation Expense		<u>(232,864)</u>
Beginning Balance - December 31, 2005	\$	<u><u>4,852,191</u></u>

Current year Additions are summarized as follows:

Capital Funded Improvements	\$	440,099
Truck		18,770
Total 2005 Additions	\$	<u><u>458,869</u></u>

ATHENS METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2005

Unaudited

Debt Outstanding

As of year-end, the Authority has \$301,732 in debt (mortgages) outstanding compared to \$309,509 last year.

TABLE 6

CONDENSED STATEMENT OF CHANGES IN DEBT OUTSTANDING

Beginning Balance - December 31, 2004	\$ 309,509
Current Year Loan Proceeds	200,000
Current Year Principal Payments	<u>(207,777)</u>
Beginning Balance - December 31, 2005	\$ <u>301,732</u>

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

- Federal funding provided by Congress to the Department of Housing and Urban Development
- Local labor supply and demand, which can affect salary and wage rates
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income
- Inflationary pressure on utility rates, supplies and other costs

FINANCIAL CONTACT

The individual to be contacted regarding this report is Jodi Rickard, Contract Control Specialist of the Athens Metropolitan Housing Authority, at (740) 592-4481 ext. 17, or email at jkr@athensmha.org. Specific requests may be submitted to Athens Metropolitan Housing Authority, 10 Hope Drive, Athens, OH 45701.

Athens Metropolitan Housing Authority
Statement of Net Assets
Proprietary Funds
December 31, 2005

ASSETS

Current assets

Cash and cash equivalents	\$1,017,864
Receivables, net	166,465
Prepaid expenses and other assets	9,930
Total current assets	<u>1,194,259</u>

Noncurrent assets

Capital assets:

Land	791,033
Building and equipment	5,619,337
Construction in Progress	440,099
Less accumulated depreciation	(1,998,278)

Total noncurrent assets	<u>4,852,191</u>
Total assets	<u><u>\$6,046,450</u></u>

LIABILITIES

Current liabilities

Accounts payable	\$47,407
Accrued liabilities	39,166
Intergovernmental payables	72,864
Tenant security deposits	25,457
Deferred revenue	56,643
Bonds, notes, and loans payable	18,486
Total current liabilities	<u>260,023</u>

Noncurrent liabilities

Bonds, notes, and loans payable	283,246
Noncurrent liabilities - other	31,181
Total noncurrent liabilities	<u>314,427</u>
Total liabilities	<u><u>\$574,450</u></u>

The accompanying notes to the financial statements are an integral part of these statements.

Athens Metropolitan Housing Authority
Statement of Net Assets (Continued)
Proprietary Funds
December 31, 2005

NET ASSETS

Invested in capital assets, net of related debt	\$4,550,459
Unrestricted net assets	<u>921,541</u>
Total net assets	<u><u>\$5,472,000</u></u>

The accompanying notes to the financial statements are an integral part of these statements.

Athens Metropolitan Housing Authority
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2005

OPERATING REVENUES

Tenant Revenue	\$165,566
Government operating grants	4,543,226
Other revenue	219,221
Total operating revenues	<u>4,928,013</u>

OPERATING EXPENSES

Administrative	640,754
Utilities	115,831
Maintenance	189,208
General	27,617
Housing assistance payment	3,855,380
Depreciation	232,864
Total operating expenses	<u>5,061,654</u>
Operating income (loss)	<u>(133,641)</u>

NONOPERATING REVENUES (EXPENSES)

Interest and investment revenue	31,355
Miscellaneous revenue	3,874
Interest expense	(4,584)
Total nonoperating revenues (expenses)	<u>30,645</u>
Income (loss) before contributions and transfers	(102,996)
Capital grants	48,295
Change in net assets	(54,701)
Total net assets - beginning	5,447,454
Prior Period Adjustments	79,247
Total net assets - ending	<u><u>\$5,472,000</u></u>

The accompanying notes to the financial statements are an integral part of these statements.

Athens Metropolitan Housing Authority
Statement of Cash Flows
Proprietary Fund Type
For the Year Ended December 31, 2005

CASH FLOWS FROM OPERATING ACTIVITIES

Operating grants received	\$4,585,049
Tenant revenue received	180,832
Other revenue received	171,238
General and administrative expenses paid	(1,059,237)
Housing assistance payments	(3,855,380)
	<u>22,502</u>

Net cash provided (used) by operating activities

22,502

CASH FLOWS FROM INVESTING ACTIVITIES

Interest earned	31,355
	<u>31,355</u>

Net cash provided (used) by investing activities

31,355

CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES

Capital grant funds received	48,295
Proceeds from Sale of Assets	3,874
Loan proceeds received	200,000
Debt principal payment	(207,777)
Interest expense paid on debt	(4,584)
Property and equipment purchased	(458,869)
	<u>(419,061)</u>

Net cash provided (used) by capital and related activities

(419,061)

Net increase (decrease) in cash	(365,204)
Cash and cash equivalents - Beginning of year	1,383,068
	<u>1,017,864</u>

Cash and cash equivalents - End of year **\$1,017,864**

The accompanying notes to the financial statements are an integral part of these statements.

Athens Metropolitan Housing Authority
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended December 31, 2005

**RECONCILIATION OF OPERATING INCOME TO NET CASH
PROVIDED BY OPERATING ACTIVITIES**

Net Operating Income (Loss)	(\$133,641)
Activities	
- Depreciation	232,864
- (Increases) Decreases in Accounts Receivable	(52,332)
- (Increases) Decreases in Prepaid Assets	3,473
- Increases (Decreases) in Accounts Payable	(59,075)
- Increases (Decreases) in Accounts Payable - Intergovernmental	(108,068)
- Increases (Decreases) in Accrued Expenses Payable	(981)
- Increases (Decreases) in Deferred Revenue	55,159
- Increases (Decreases) in Other Current Liabilities	(8,823)
- Increases (Decreases) in Other Noncurrent Liabilities	15,032
- Increases (Decreases) in Accrued Compensated Absences	(934)
- Increases (Decreases) in Tenant Security Deposits	581
- Prior Period Adjustments	79,247
	79,247
Net cash provided by operating activities	\$22,502

The accompanying notes to the financial statements are an integral part of these statements.

ATHENS METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

The financial statements of the Athens Metropolitan Housing Authority (the Authority) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

Reporting Entity

The Athens Metropolitan Housing Authority was created under the Ohio Revised Code, Section 3735.27. The Authority contracts with the United States Department of Housing and Urban Development (HUD) to provide low and moderate income persons with safe and sanitary housing through subsidies provided by HUD. The Authority depends on the subsidies from HUD to operate.

The accompanying financial statements comply with the provision of Governmental Accounting Standards Board (GASB) Statement 14, the Financial Reporting Entity, in that the financial statements include all organizations, activities and functions for which the Authority is financially accountable. This report includes all activities considered by management to be part of the Authority by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

Section 2100 indicates that the reporting entity consists of **a)** the primary government, **b)** organizations for which the primary government is financially accountable, and **c)** other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's government body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

ATHENS METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting Entity (Continued)

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government **a)** is entitled to the organization's resources; **b)** is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or **c)** is obligated in some manner for the debt of the organization.

Management believes the financial statements included in this report represent all of the funds of the Authority over which the Authority is financially accountable.

Basis of Presentation

The Authority's financial statements consist of a statement of net assets, a statement of revenue, expenses and changes net assets, and a statement of cash flows.

Fund Accounting

The Authority uses the proprietary fund to report on its financial position and the results of its operations for the HUD programs. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Funds are classified into three categories: governmental, proprietary and fiduciary. The Authority uses the proprietary category for its programs.

Proprietary Fund Types

Proprietary funds are used to account for the Authority's ongoing activities which are similar to those found in the private sector. The following is the proprietary fund type: Enterprise Fund - This fund is used to account for the operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

ATHENS METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus/Basis of Accounting

The proprietary funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred. Pursuant to GASB Statement No. 20 *Accounting and Financial Reporting for / Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the Authority follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Description of programs

The following are the various programs which are included in the single enterprise fund:

A. **Public Housing Program**

The Public Housing Program is designed to provide low-cost housing within the Athens County. Under this program, HUD provides funding via an annual contribution contract. These funds, combined with the rental income received from tenants, are available solely to meet the operating expenses of the program.

B. **Capital Fund Program**

The Capital Fund Program provides funds annually, via a formula, to Public Housing Agencies for capital and management activities, including modernization and development housing.

C. **Housing Choice Voucher Program**

The Housing Choice Voucher Program was authorized by Section 8 of the National Housing Act and provides housing assistance payments to private, not-for-profit or public landlords to subsidize rentals for low-income persons.

D. **Section 8 New Construction**

The Authority administers Section 8 rental assistance programs where the Department of Housing and Urban Development (HUD) enters into annual contributions contracts with a private owner. The owner rents housing to eligible low-income families who typically pay rent of 30 percent of adjusted gross income. The remaining portion of the rent for the unit is paid to the owner by HUD through the HAP contract. The Authority acts as the middleman between HUD and the

ATHENS METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Private Owner and ascertains that the owner is operating the program in compliance with HUD requirements. The Authority earns an administration fee for these services rendered.

E. **Shelter Plus Care**

AMHA has an ongoing collaboration effort with the Athens County Continuum of Care working group which in 1999 the PHA was successful in receiving grant funding for the Athens County Dual Diagnosis Housing Initiative Shelter Plus Care project which is now completed and up and running. The grant provided 10 years of subsidized rent for 5 units of housing for dually diagnosed persons with mental illness and substance abuse.

F. **State / Local**

State / local represents Authority owned housing properties that are not subsidized by HUD. The revenue and expenses for these services are identified and tracked separate from the HUD activities.

Investments

Investments are restricted by the provisions of the HUD Regulations (See Note 2). Investments are valued at market value. Interest income earned in fiscal year 2005 totaled \$31,355.

Capital Assets

Capital assets are stated at cost. The capitalization policy of the Authority is to depreciate all non-expendable personal property having a useful life of more than one year and purchase price of \$500 or more per unit. Depreciation is calculated using the straight-line method over the estimated useful lives of three years to forty years. Expenditures for repairs and maintenance are charged directly to expense as they are incurred. Expenditures determined to represent additions or betterments are capitalized.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets – net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are recorded as restricted when there are limitations imposed on their use by internal or external restrictions.

ATHENS METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating Revenues and Expenses

Operating revenues and expenses are those revenues that are generated directly from the primary activities of the proprietary fund and expenses incurred for the day to day operation. For the Authority, operating revenues are tenant rent charges, operating subsidy from HUD and other miscellaneous revenue.

Capital Contributions

This represents contributions made available by HUD with respect to all federally aided projects under an annual contribution contract.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include all highly liquid debt instruments with original maturities of three months or less.

Compensated Absences

The Authority accounts for compensated absences in accordance with GASB Statement No. 16. Sick leave and other compensated absences with similar characteristics are accrued as a liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments. To calculate the liability, these accumulations are reduced to the maximum amount allowed as a termination payment. All employees who meet the termination policy of the Authority for years of service are included in the calculation of the compensated absences accrual amount.

Vacation leave and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employees if both of the following conditions are met: **(1)** the employees' rights to receive compensation are attributable to services already rendered and are not contingent on a specific event that is outside the control of the employer and employee. **(2)** It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

In the proprietary fund, the compensated absences are expensed when earned with the amount reported as a fund liability.

ATHENS METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Accounting

The Authority annually prepares its budget as prescribed by the Department of Housing and Urban Development. This budget is submitted to the Department of Housing and Urban Development and once approved is adopted by the Board of the Housing Authority.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2: DEPOSITS AND INVESTMENTS

State statutes classify monies held by the Authority into three categories.

- A. Active deposits are public deposits necessary to meet demands on the treasury. Such monies must be maintained either as cash in the Authority's treasury, in commercial accounts payable or withdrawal on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.
- B. Inactive deposits are public deposits that the Authority has identified as not required for use within the current two period of designation of depositories. Inactive deposits must either be evidenced by certificate of deposits maturing not later than the end of the current period of designation of the depositories, or by savings or deposit accounts including, but not limited to passbook accounts.
- C. Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificate of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

ATHENS METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(CONTINUED)

NOTE 2: DEPOSITS AND INVESTMENTS (Continued)

Government Accounting Standards Board Statement No. 3 (GASB #3) has established custodial credit risk categories for deposits and investments as follows:

Category 1 – Insured or collateralized with securities held by the Authority or by its agent in the Authority's name.

Category 2 – Collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name.

Category 3 – Uncollateralized as defined by the GASB (securities pledged with the pledging financial institution's trust department or agent, but not in the Authority's name).

The carrying amount of the Authority's deposits was \$1,017,864 at December 31, 2005. The corresponding bank balance was \$1,045,751. Of the bank balance, \$200,000 was covered by federal deposit insurance (FDIC) with the remaining balance covered by collateralization held by the bank in the Authority's name as required by HUD. The custodial credit risk for the Authority deposit is Category 1.

Investments

In accordance with the Ohio Revised Code and HUD investment policy, the Authority is permitted to invest in certificates of deposit, savings accounts, money market accounts, certain highly rated commercial paper, obligations of certain political subdivisions of Ohio and the United States government and its agencies, and repurchase agreements with any eligible depository or any eligible dealers. Public depositories must give security for all public funds on deposit. Repurchase agreements must be secured by the specific qualifying securities upon which the repurchase agreements are based.

The Authority is prohibited from investing in any financial instruments, contracts, or obligations whose value or return is based upon or linked to another asset or index, or both, separate from the financial instrument, contract, or obligation itself (commonly known as a derivative). The Authority is also prohibited from investing in reverse purchase agreements.

Interest Rate Risk – The Authority does not have a formal investment policy that limits investments as a means of managing its exposure to fair value losses arising from increasing interest rates. However, it is the Authority practice to limit its investments to less than 2 years.

ATHENS METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(CONTINUED)

NOTE 2: DEPOSITS AND INVESTMENTS (Continued)

Credit Risk – HUD requires specific collateral on individual accounts in excess of amounts insured by the Federal Deposit Insurance Corporation. The Authority depository agreement specifically requires compliance with HUD requirement.

Concentration of Credit Risk – The Authority places no limit on the amount that may be invested with any one issuer. However, it is the Authority practice to do business with more than one depository.

The Authority did not have any investments as of December 31, 2005 other than certificates of deposits.

NOTE 3: INSURANCE AND RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority participates in the State Housing Authorities Risk Pool (SHARP), a public entity risk plan that operates as a common risk management and insurance program for housing authorities. The Authority pays insurance premiums directly to SHARP. The Authority also participates in Wayne County's health insurance program through a commercial insurance carrier. Premiums are paid monthly. The Authority also pays unemployment claims to the State of Ohio as incurred.

The Authority continues to carry commercial insurance for other risks of loss. There has been no significant reduction in insurance coverage from coverage in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 4: SCHEDULE OF EXPENDITURE OF FEDERAL AWARD

The accompanying Schedule of Expenditures of Federal Awards is a summary of the activity of the District's federal awards programs. The schedule has been prepared on the accrual basis of accounting prescribed by the U.S. Department of Housing and Urban Development.

NOTE 5: CAPITAL ASSETS

The following is a summary of changes:

ATHENS METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(CONTINUED)

NOTE 5: CAPITAL ASSETS (Continued)

	Balance 12/31/04	Additions	Deletion	Balance 12/31/05
Capital Assets Not Being Depreciated:				
Land	\$791,033	\$0	\$0	\$791,033
Construction in Progress	0	440,099	0	440,099
Total Capital Assets Not Being Depreciated	791,033	440,099	0	1,231,132
Capital Assets Being Depreciated:				
Buildings	5,301,353	0	0	5,301,353
Furnt, Mach. and Equip.	319,047	18,770	19,833	317,984
Total Capital Assets Being Depreciated	5,620,400	18,770	19,833	5,619,337
Accumulated Depreciation	(1,785,247)	(232,864)	(19,833)	(1,998,278)
Total Capital Assets Being Depreciated, Net	3,835,153	(214,094)	0	3,621,059
Total Capital Assets, Net	\$4,626,186	\$226,005	\$0	\$4,852,191

NOTE 6: LONG-TERM DEBT

Long-term debt for the Athens Metropolitan Housing Authority's state/local activities consists of the following:

• Loan payable to Bank One to purchase State Root 78 Buchtel Property. Total borrowing was \$158,275 with a term of 15 years at 2.6% interest rate.	\$86,661
• Loan payable to Bank One to purchase Walnut Street at Nelsonville Property. Total borrowing was \$42,665 with a term of 15 years at 2.6% interest rate.	23,404
• Loan payable to Ohio Department of Mental Health to purchase 430 Union Street Property. Total borrowing was \$200,000 with a term of 20 years at 0% interest rate.	191,667
Total Outstanding Debt	301,732
Less Current Portion	18,486
Total Long-Term Debt	<u>\$283,246</u>

ATHENS METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(CONTINUED)

NOTE 6: LONG-TERM DEBT (Continued)

The following is a summary of changes in long-term debt for the year ended September 30, 2005:

DESCRIPTION	BALANCE 12/31/04	ISSUED	RETIRED	BALANCE 12/31/05
Loan Payable	\$309,509	\$200,000	\$207,777	\$301,732
TOTAL	\$309,509	\$200,000	\$207,777	\$301,732

Maturities of the debt over the next five years are as follows:

<u>Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$18,486	\$2,706	\$21,192
2007	18,841	2,351	21,192
2008	19,205	1,987	21,192
2009	19,579	1,613	21,192
2010	19,962	1,230	21,192
2011 - 2015	63,992	1,488	65,480
2016 - 2020	25,000	0	25,000
2021 - 2025	25,000	0	25,000
2026 - 2030	25,000	0	25,000
2031 - 2035	25,000	0	25,000
2036 - 2040	25,000	0	25,000
2041 - 2044	16,667	0	16,667
Total	\$301,732	\$11,375	\$313,107

NOTE 7: NON-CURRENT LIABILITIES

The balance of non-current liabilities - other at December 31, 2005 consists of the following:

- FSS escrow funds relating to the Housing Choice Voucher program \$31,181.

ATHENS METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(CONTINUED)

**NOTE 8: DEFINED BENEFIT PENSION PLANS -PUBLIC EMPLOYEES
RETIREMENT SYSTEM**

All full-time employees of the Authority participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board. OPERS provide basic retirement, disability and survivor benefits, based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. OPERS issue a publicly available financial report that includes financial statements and required supplementary information for OPERS. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or (800) 222-PERS.

Ohio Public Employees Retirement System administers three separate pension plans as described below:

1. The Traditional Pension Plan – A cost sharing, multiple-employer defined benefit pension plan.
2. The Member-Direct Plan – A defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Direct Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions, plus any investment earnings.
3. The Combined Plan – A cost sharing, multiple-employer defined pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefits similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The 2005 employer pension contribution rate for Authority was 13.55 percent. Contributions are authorized by state statute. The contribution rates are determined actuarially. The Authority's contribution for the years ended December 31, 2005, 2004, and 2003 amounted to \$50,703, \$47,400 and \$39,614 respectively. Ninety-Two percent has been contributed for 2005. All required contributions for the two previous years have been paid.

ATHENS METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(CONTINUED)

**NOTE 9: POSTEMPLOYMENT BENEFITS PUBLIC EMPLOYEES
RETIREMENT SYSTEM**

The Public Employees Retirement System of Ohio (OPERS) provides post-employment health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is also available. The health care coverage provided by the OPERS is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the OPERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory Authority requiring public employers to fund post-employment health care through their contributions to the OPERS. The portion of the 2005 employer contribution rate (identified above) that was used to fund health care for the year ended December 31, 2005 was 4.0 percent of covered payroll, which amounted to \$14,968. The significant actuarial assumptions and calculations relating to post-employment health care benefits were based on the OPERS' latest actuarial review performed as of December 31, 2004. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25 percent of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2004 was 8.0 percent. An annual increase of 4.0 percent compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0 percent base increase, were assumed to range from 0.50 percent to 6.3 percent. Health care costs were assumed to increase at a project wage inflation rate plus an additional factor ranging from 1% to 6% for the next 8 years. In subsequent years (9 and beyond), health care costs were assumed to increase at 4% (the projected wage inflation rate).

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 376,109. The actuarial value of the OPERS' net assets available for OPEB at December 31, 2004 was \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$29.5 billion and \$18.7 billion, respectively.

NOTE 10: PRIOR PERIOD ADJUSTMENT

The prior period adjustment of \$79,247 was necessary to properly state the beginning balance. The adjustments are as follows:

ATHENS METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(CONTINUED)

NOTE 10: PRIOR PERIOD ADJUSTMENT (Continued)

- Adjustment to properly state net assets for the Capital Fund Program	\$71,332
- Adjustment to properly state net assets for the Low Rent Program	<u>7,915</u>
Total Prior Period Adjustment	<u><u>\$79,247</u></u>

NOTE 11: CHANGE IN ACCOUNTING PRINCIPLES

For 2005, the Authority has implemented GASB Statement No. 40, "Deposit and investment Risk Disclosures" and GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and or Insurance Recoveries".

GASB Statement No. 40 establishes new disclosure requirements for risks associated with deposits and investments.

GASB Statement No. 42 establishes accounting and financial reporting standards for impairment of capital assets and clarifies and establishes accounting requirements for insurance recoveries.

The implementation of GASB Statement No. 42 did not affect the presentation of the financial statements of the Authority.

Athens Metropolitan Housing Authority
Combining FDS Schedule Submitted To REAC
Proprietary Fund Type- Enterprise Fund
December 31, 2005

Line Item No.	Account Description	N/C S/R Section 8 Programs	Shelter Plus Care	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
111	Cash - Unrestricted	\$109,612	\$0	\$25,918	\$265,832	\$4,374	\$59,741	\$465,477
113	Cash - Other Restricted	\$0	\$0	\$0	\$31,181	\$0	\$0	\$31,181
114	Cash - Tenant Security Deposits	\$0	\$0	\$12,715	\$0	\$0	\$13,023	\$25,738
100	Total Cash	\$109,612	\$0	\$38,633	\$297,013	\$4,374	\$72,764	\$522,396
122	Accounts Receivable - HUD Other Projects	\$0	\$0	\$0	\$0	\$7,695	\$0	\$7,695
125	Accounts Receivable - Miscellaneous	\$0	\$0	\$4,069	\$0	\$0	\$151,247	\$155,316
126	Accounts Receivable - Tenants - Dwelling Rents	\$0	\$0	\$1,738	\$0	\$0	\$1,716	\$3,454
126.1	Allowance for Doubtful Accounts - Dwelling Rents	\$0	\$0	\$0	\$0	\$0	\$0	\$0
126.2	Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0
128.1	Allowance for Doubtful Accounts - Fraud	\$0	\$0	\$0	\$0	\$0	\$0	\$0
120	Total Receivables, net of allowances for doubtful accounts	\$0	\$0	\$5,807	\$0	\$7,695	\$152,963	\$166,465
131	Investments - Unrestricted	\$0	\$0	\$267,210	\$33,788	\$0	\$194,470	\$495,468
142	Prepaid Expenses and Other Assets	\$0	\$0	\$6,321	\$352	\$0	\$3,257	\$9,930
143.1	Allowance for Obsolete Inventories	\$0	\$0	\$0	\$0	\$0	\$0	\$0
144	Interprogram Due From	\$0	\$0	\$60,500	\$0	\$0	\$0	\$60,500
150	Total Current Assets	\$109,612	\$0	\$378,471	\$331,153	\$12,069	\$423,454	\$1,254,759
161	Land	\$0	\$0	\$696,850	\$0	\$0	\$94,183	\$791,033
162	Buildings	\$0	\$0	\$4,496,018	\$0	\$105,358	\$699,977	\$5,301,353
164	Furniture, Equipment & Machinery - Administration	\$0	\$0	\$244,448	\$72,037	\$1,499	\$0	\$317,984
165	Leasehold Improvements	\$0	\$0	\$0	\$0	\$0	\$0	\$0
166	Accumulated Depreciation	\$0	\$0	(\$1,850,750)	(\$26,269)	(\$16,649)	(\$104,610)	(\$1,998,278)

Athens Metropolitan Housing Authority
Combining FDS Schedule Submitted To REAC
Propriety Fund Type- Enterprise Fund
December 31, 2005

Line Item No.	Account Description	N/C S/R Section 8 Programs	Shelter Plus Care	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
167	Construction In Progress	\$0	\$0	\$320,469	\$0	\$119,630	\$0	\$440,099
160	Total Fixed Assets, Net of Accumulated Depreciation	\$0	\$0	\$3,907,035	\$45,768	\$209,838	\$689,550	\$4,852,191
190	Total Assets	\$109,612	\$0	\$4,285,506	\$376,921	\$221,907	\$1,113,004	\$6,106,950
312	Accounts Payable <= 90 Days	\$0	\$0	\$43,228	\$2,442	\$0	\$1,737	\$47,407
321	Accrued Wage/Payroll Taxes Payable	\$0	\$0	\$7,372	\$5,197	\$0	\$0	\$12,569
322	Accrued Compensated Absences - Current Portion	\$0	\$0	\$26,597	\$0	\$0	\$0	\$26,597
331	Accounts Payable - HUD PHA Programs	\$72,864	\$0	\$0	\$0	\$0	\$0	\$72,864
341	Tenant Security Deposits	\$0	\$0	\$12,434	\$0	\$0	\$13,023	\$25,457
342	Deferred Revenues	\$0	\$0	\$640	\$50,801	\$4,374	\$828	\$56,643
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	\$0	\$0	\$0	\$0	\$0	\$18,486	\$18,486
347	Interprogram Due To	\$0	\$0	\$0	\$44,541	\$7,695	\$8,264	\$60,500
310	Total Current Liabilities	\$72,864	\$0	\$90,271	\$102,981	\$12,069	\$42,338	\$320,523
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue Bonds	\$0	\$0	\$0	\$0	\$0	\$283,246	\$283,246
353	Noncurrent Liabilities - Other	\$0	\$0	\$0	\$31,181	\$0	\$0	\$31,181
350	Total Noncurrent Liabilities	\$0	\$0	\$0	\$31,181	\$0	\$283,246	\$314,427
300	Total Liabilities	\$72,864	\$0	\$90,271	\$134,162	\$12,069	\$325,584	\$634,950
508.1	Invested in Capital Assets, Net of Related Debt	\$0	\$0	\$3,907,035	\$45,768	\$209,838	\$387,818	\$4,550,459
512.1	Unrestricted Net Assets	\$36,748	\$0	\$288,200	\$196,991	\$0	\$399,602	\$921,541
513	Total Equity/Net Assets	\$36,748	\$0	\$4,195,235	\$242,759	\$209,838	\$787,420	\$5,472,000

Athens Metropolitan Housing Authority
Combining FDS Schedule Submitted To REAC
Propriety Fund Type- Enterprise Fund
December 31, 2005

Line Item No.	Account Description	N/C S/R Section 8 Programs	Shelter Plus Care	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
600	Total Liabilities and Equity/Net Assets	\$109,612	\$0	\$4,285,506	\$376,921	\$221,907	\$1,113,004	\$6,106,950
703	Net Tenant Rental Revenue	\$0	\$0	\$94,279	\$0	\$0	\$71,287	\$165,566
705	Total Tenant Revenue	\$0	\$0	\$94,279	\$0	\$0	\$71,287	\$165,566
706	HUD PHA Operating Grants	\$889,776	\$12,240	\$266,736	\$3,360,875	\$13,599	\$0	\$4,543,226
706.1	Capital Grants	\$0	\$0	\$0	\$0	\$48,295	\$0	\$48,295
711	Investment Income - Unrestricted	\$0	\$0	\$12,249	\$11,651	\$0	\$7,455	\$31,355
713.1	Cost of Sale of Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0
715	Other Revenue	\$0	\$0	\$4,933	\$20,988	\$0	\$193,300	\$219,221
716	Gain/Loss on Sale of Fixed Assets	\$0	\$0	\$3,874	\$0	\$0	\$0	\$3,874
720	Investment Income - Restricted	\$0	\$0	\$0	\$0	\$0	\$0	\$0
700	Total Revenue	\$889,776	\$12,240	\$382,071	\$3,393,514	\$61,894	\$272,042	\$5,011,537
911	Administrative Salaries	\$35,553	\$0	\$28,923	\$186,651	\$0	\$16,627	\$267,754
912	Auditing Fees	\$718	\$0	\$913	\$3,772	\$0	\$209	\$5,612
915	Employee Benefit Contributions - Administrative	\$8,780	\$0	\$25,844	\$46,093	\$0	\$1,716	\$82,433
916	Other Operating - Administrative	\$15,437	\$7,341	\$12,443	\$235,435	\$8,599	\$5,700	\$284,955
931	Water	\$0	\$751	\$22,565	\$0	\$0	\$6,341	\$29,657
932	Electricity	\$0	\$3,100	\$50,479	\$0	\$0	\$5,080	\$58,659
933	Gas	\$0	\$0	\$24,922	\$0	\$0	\$2,593	\$27,515
941	Ordinary Maintenance and Operations - Labor	\$0	\$0	\$59,056	\$0	\$0	\$847	\$59,903
942	Ordinary Maintenance and Operations - Materials and Other	\$0	\$0	\$27,064	\$0	\$0	\$4,329	\$31,393
943	Ordinary Maintenance and Operations - Contract Costs	\$0	\$1,048	\$34,315	\$0	\$0	\$9,693	\$45,056
945	Employee Benefit Contributions - Ordinary Maintenance	\$0	\$0	\$52,769	\$0	\$0	\$87	\$52,856

Athens Metropolitan Housing Authority
Combining FDS Schedule Submitted To REAC
Propriety Fund Type- Enterprise Fund
December 31, 2005

Line Item No.	Account Description	N/C S/R Section 8 Programs	Shelter Plus Care	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
961	Insurance Premiums	\$374	\$0	\$13,856	\$1,964	\$0	\$4,899	\$21,093
963	Payments in Lieu of Taxes	\$0	\$0	\$602	\$0	\$0	\$421	\$1,023
964	Bad Debt - Tenant Rents	\$0	\$0	\$4,439	\$0	\$0	\$1,062	\$5,501
967	Interest Expense	\$0	\$0	\$0	\$0	\$0	\$4,584	\$4,584
969	Total Operating Expenses	\$60,862	\$12,240	\$358,190	\$473,915	\$8,599	\$64,188	\$977,994
970	Excess Operating Revenue over Operating Expenses	\$828,914	\$0	\$23,881	\$2,919,599	\$53,295	\$207,854	\$4,033,543
973	Housing Assistance Payments	\$826,389	\$0	\$0	\$3,028,991	\$0	\$0	\$3,855,380
974	Depreciation Expense	\$0	\$0	\$185,939	\$13,484	\$7,324	\$26,117	\$232,864
900	Total Expenses	\$887,251	\$12,240	\$544,129	\$3,516,390	\$15,923	\$90,305	\$5,066,238
1001	Operating Transfers In	\$0	\$0	\$5,000	\$0	\$0	\$0	\$5,000
1002	Operating Transfers Out	\$0	\$0	\$0	\$0	(\$5,000)	\$0	(\$5,000)
1010	Total Other Financing Sources (Uses)	\$0	\$0	\$5,000	\$0	(\$5,000)	\$0	\$0
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	\$2,525	\$0	(\$157,058)	(\$122,876)	\$40,971	\$181,737	(\$54,701)
1103	Beginning Equity	\$34,223	\$0	\$4,344,378	\$365,635	\$97,535	\$605,683	\$5,447,454
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0	\$0	\$7,915	\$0	\$71,332	\$0	\$79,247
	Ending Equity	\$36,748	\$0	\$4,195,235	\$242,759	\$209,838	\$787,420	\$5,472,000

Athens Metropolitan Housing Authority
 Combining FDS Schedule Submitted To REAC
 Propriety Fund Type- Enterprise Fund
 December 31, 2005

Line Item No.	Account Description	N/C S/R Section 8 Programs	Shelter Plus Care	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
1113	Maximum Annual Contributions Commitment (Per ACC)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1114	Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1115	Contingency Reserve, ACC Program Reserve	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1116	Total Annual Contributions Available	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1120	Unit Months Available	1,608	60	852	8,376	0	444	11,340
1121	Number of Unit Months Leased	1,608	47	780	8,264	0	408	11,107

ATHENS METROPOLITAN HOUSING AUTHORITY
Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2005

Federal Grantor / Pass Through Grantor / Program Title	Pass Through Entity Number	Federal CFDA Number	Expenditures
<u>U.S. Department of Housing and Urban Development</u>			
<i>Direct from Federal Government:</i>			
Section 8 New Construction Program	---	14.182	\$889,776
Shelter Plus Care	---	14.238	12,240
Low Rent Public Housing	---	14.850A	266,736
Housing Choice Voucher Program	---	14.871	3,360,875
Public Housing Capital Fund Program	---	14.872	<u>61,894</u>
Total U.S. Department of Housing and Urban Development			<u>4,591,521</u>
Total Federal Financial Assistance			<u><u>\$4,591,521</u></u>

**Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Required by
Government Auditing Standards**

Board of Directors
Athens Metropolitan Housing Authority
117 East Memorial Drive
Pomeroy, Ohio 45769

We have audited the financial statements of the Athens Metropolitan Housing Authority (the Authority), as of and for the year ended December 31, 2005 and have issued our report thereon dated August 18, 2006, which we noted the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures* and GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and/or Insurance Recoveries*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material to the financial statements we audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material affect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Board of Directors
Athens Metropolitan Housing Authority
Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Required by
Government Auditing Standards

This report is intended for the information and use of the Board of Directors, management, and federal awarding agency, and is not intended to be and should not be used by anyone other than these specified parties.

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.

August 18, 2006

**Report on Compliance with Requirements Applicable to Each Major Federal
Program and on Internal Control over Compliance in Accordance with
OMB Circular A-133**

Board of Directors
Athens Metropolitan Housing Authority
117 East Memorial Drive
Pomeroy, Ohio 45769

Compliance

We have audited the compliance of Athens Metropolitan Housing Authority (the Authority) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2005. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material affect on a major federal program. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

As described in item 2005-01 and 2005-02 in the accompanying schedule of finding and questions, the Authority did not comply with the requirements regarding Special Tests and Provisions that are applicable to it Housing Choice Voucher Program. Compliance with such requirements is necessary, in our opinion, for the Authority to comply with requirements applicable to the program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2005.

Internal Control over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material affect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the Board of Directors, management and federal awarding agency, and is not intended to be and should not be used by anyone other than these specified parties.

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.

August 18, 2006

ATHENS METROPOLITAN HOUSING AUTHORITY
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2005

A. SUMMARY OF AUDITOR'S RESULTS

1. Type of Financial Statement Opinion	Unqualified
2. Were there any material internal control weaknesses reported at the financial statement level (GAGAS)?	No
3. Were there any other reportable internal control weaknesses reported at the financial statement level (GAGAS)?	No
4. Was there any material noncompliance reported at the financial statement level (GAGAS)?	No
5. Were there any material internal control weaknesses reported for major federal programs?	No
6. Were there any other reportable internal control weaknesses reported for major federal programs?	No
7. Type of Major Program Compliance Opinion	Qualified
8. Are there any reportable findings under § .510?	Yes
9. Major Program (list):	Section 8 New Construction Program CFDA #14.182 and Housing Choice Voucher Program CFDA #14.871
10. Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: All Other Programs
11. Low Risk Auditee?	No

**B. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

There were no findings related to the financial statements required to be reported in accordance with GAGAS.

ATHENS METROPOLITAN HOUSING AUTHORITY
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2005

C. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
--

<i>Finding Number</i>	2005-01
-----------------------	---------

Supporting Documentation

**U.S. Department of HUD
Housing Choice Voucher Program (CFDA #14.871)**

24 CFR 982.158 requires that the Authority maintain complete and accurate accounts and other records for the program in accordance with HUD requirements, in a manner that permits a speedy and effective audit.

Audit procedures found that 2 Housing Choice Voucher Program files did not contain a signed declaration of citizenship or birth certificate that would properly document the tenants citizenship.

We recommend that the Authority ensure that the proper supporting documentation is retained in all files.

Management's Response

Athens Metropolitan Housing Authority has already taken steps to receive complete and accurate records for Tenant files.

<i>Finding Number</i>	2005-02
-----------------------	---------

Utility Allowance Schedule

**U.S. Department of HUD
Housing Choice Voucher Program (CFDA #14.871)**

24 CFR 982.517 requires that the Authority review the information used to develop the utility allowance paid to tenants in accordance with HUD requirements.

Audit procedures found 1 Housing Choice Voucher Program file that had an error in the number of bedrooms in the residence used for the utility allowance calculations. This resulted in an underpayment in utility allowance to the program participant.

We recommend that the Authority ensure that all data used in the calculations of the allowances are verified to physical inspections of the residence.

Management's Response

Athens Metropolitan Housing Authority has implemented a HQS Inspectors Certification that must be executed identifying data from the physical inspection to be crossed matched with the calculation of the utility allowance. This will ensure that the correct data is being used for the calculations.

ATHENS METROPOLITAN HOUSING AUTHORITY
Corrective Action Plan
For the Year Ended December 31, 2005

The Authority has developed the following corrective action plan to address the findings contained in the schedule of findings.

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2005-01	The Authority plans to monitor tenant files more closely and be sure that all supporting documentation is retained in the files.	Immediately	Keith Andrews, Executive Director
2005-02	The Authority plans to verify information used in the utility allowance calculations to physical inspections performed. The Authority also plans to recalculate previous errors and submit reimbursements to tenants for a portion of utilities paid.	Immediately	Keith Andrews, Executive Director

ATHENS METROPOLITAN HOUSING AUTHORITY
Schedule of Prior Audit Findings
For the Year Ended December 31, 2005

Description	Status	Comments
1. The Authority must obtain a third party verification of tenant income.	Corrected	N/A
2. The Authority is required to obtain supporting documentation of each tenants citizenship.	Not Corrected	The Authority will monitor program files more closely.
3. The Authority is required to adopt a payment standard that establishes a voucher payment amount for each fair market rent area in the Authority's jurisdiction.	Corrected	N/A



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

ATHENS METROPOLITAN HOUSING AUTHORITY

ATHENS COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 12, 2006**